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FISCAL IMPACT STATEMENT

LS 6216

BILL NUMBER: HB 1019

NOTE PREPARED: Apr 9, 2003

BILL AMENDED: Apr 8, 2003

SUBJECT: Insurance Coverage for Inherited Metabolic Disease.

FIRST AUTHOR: Rep. Frenz

FIRST SPONSOR: Sen. Miller

BILL STATUS: As Passed - Senate

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: (Amended) This bill requires an accident and sickness insurer and a health maintenance organization to provide to the Department of Insurance certain information related to the implementation of a mandated benefit and requires the Department to analyze the information and report the analysis results to the Legislative Council. The bill allows an accident and sickness insurer and a health maintenance organization to provide to the Department certain information related to a mandated benefit proposal and requires the Department to analyze the information and report the analysis results to the legislative committee considering the proposal.

The bill also requires a group accident and sickness insurance policy and a group health maintenance organization contract to offer to provide coverage for medically necessary medical food prescribed for treatment of an inherited metabolic disease for a covered individual or an enrollee.

Effective Date: (Amended) July 1, 2003; January 1, 2004; July 1, 2004.

Explanation of State Expenditures: (Revised) This bill contains two provisions: (1) requires the Department of Insurance to review information concerning mandated health care benefits and report the findings to certain entities; and (2) insurers are required to offer to provide coverage for medically necessary medical food for the treatment of an inherited metabolic disease.

The Department of Insurance indicates that they will need to hire one FTE at a cost of \$46,789 for FY 2004 and \$46,790 for FY 2005. This bill requires accident and sickness insurers and health maintenance organizations to submit to the Department information regarding the effect of mandated benefits on rates, and allows for the submittal of information regarding proposed legislative health insurance mandates.

The Department states that it would need to develop a new reporting form and hire a rate analyst in order to comply with this legislation. The cost of adding a rate analyst is estimated to be \$46,789 for FY 2004 and \$46,790 for FY 2005. The funds and resources required above could be supplied through a variety of sources, including the following: (1) Existing staff and resources not currently being used to capacity; (2) Existing staff and resources currently being used in another program; (3) Authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) Funds that, otherwise, would be reverted; or (5) New appropriations.

Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions. The Department also indicated that they could potentially contract the analysis to an outside provider. The Department could not estimate whether this would result in cost savings or increased cost. The Department could develop the new form internally, given current staff and resources, at no additional cost.

The state employee health plan currently provides treatment coverage for phenylketonuria. However, this bill requires that an insurer or HMO offer to provide coverage for medical food that is medically necessary and prescribed by a covered individual's treating physician for treatment of the covered individual's inherited metabolic disease. The decision whether to include these benefits, and incur any additional cost, is dependent upon administrative action.

Background Information: Four of the six state insurers responded that if the state provided this coverage that it would increase premiums, and two insurers did not respond to the request. The estimated premium increases range from \$0.02 per member per month to a 10% increase in the premium. However, given that the state self-insured plan administrator replied that the bill would result in a \$0.01 to \$0.03 per member per month increase in premium the actual cost may be lower. If this increase were representative of actual claims experience for all plans, total cost for the state employee plan group could range from \$9,000 to \$26,000 per year. Actual cost may be higher or lower than this estimate based upon actual claims experience.

If the state provides this coverage, the state may choose to absorb any additional costs of these provisions or to pass these costs on to employees in the form of higher deductibles, higher premiums, or by limiting other conditions covered.

Given the responses of three insurers, the 10% premium increase appears to be an outlier. However, it is unknown how this insurer will respond if the coverage is offered and accepted, thus a cost range is presented.

The Department of Insurance currently reviews health insurance rate filings, including policies of accident and sickness insurance and health maintenance organizations. The Department of Insurance currently has one FTE dedicated to reviewing health insurance rate filings. The Department also contracts with actuarial consultants for review of filings.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) The decision whether to include these benefits, and incur any additional cost, is dependent upon administrative action taken by the governmental entity. Any increased cost to the local entity is dependent upon whether the entity accepts the offer to provide this coverage. In addition, the cost to local governments will vary depending upon the structure of their health benefit packages. This coverage may already be included in some local government policies. Local governments that do not have this coverage may choose to pass the cost on to employees in the form of higher deductibles,

higher premiums, or limiting other conditions covered. Cost sharing of health benefit premiums varies widely by locality.

Explanation of Local Revenues:

State Agencies Affected: Department of Insurance, Potentially all.

Local Agencies Affected: Potentially all local units of government and local school corporations.

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